Merchandising sundries: pp. 15-19

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Savings due from new structure

Southern Pacific revises rates

By Wyatt Kash, *NHCN lumber editor*

SAN FRANCISCO—The Southern Pacific Railroad, in a bold 90-day experiment, has instituted a radically different freight rate structure that promises to save many California and Arizona home centers an average of $500 per carload on forest product shipments from Oregon.

The new rate structure, which went into effect Sept. 27, represents a dramatic departure from traditional rail rates by assessing a straight charge per car, rather than a graduated charge based on the weight of the car's contents.

The rate structure is limited to shipments on Southern Pacific lines only, and applies to loads from any point in Oregon to virtually all points in California serviced by the railroad. A proposal to extend the per-car rate structure to Southern Pacific points as far east as Phoenix was expected to be approved at presstime.

While the Southern Pacific will be testing the per-car rate system for 90 days, the savings potential for home centers and other customers is expected to be significant, particularly on longer hauls.

Under the old rate system, for example, on a 55,000-bd.-ft. flat car of green Douglas fir shipped from Portland to Los Angeles, a customer typically paid $2,585 per carload, based on an open-end incentive rate of $1.86 per 100 lb.

Under the new temporary system, Southern Pacific will haul a fully loaded flat car for $2,000 regardless of the weight. Boxcars will ship at a

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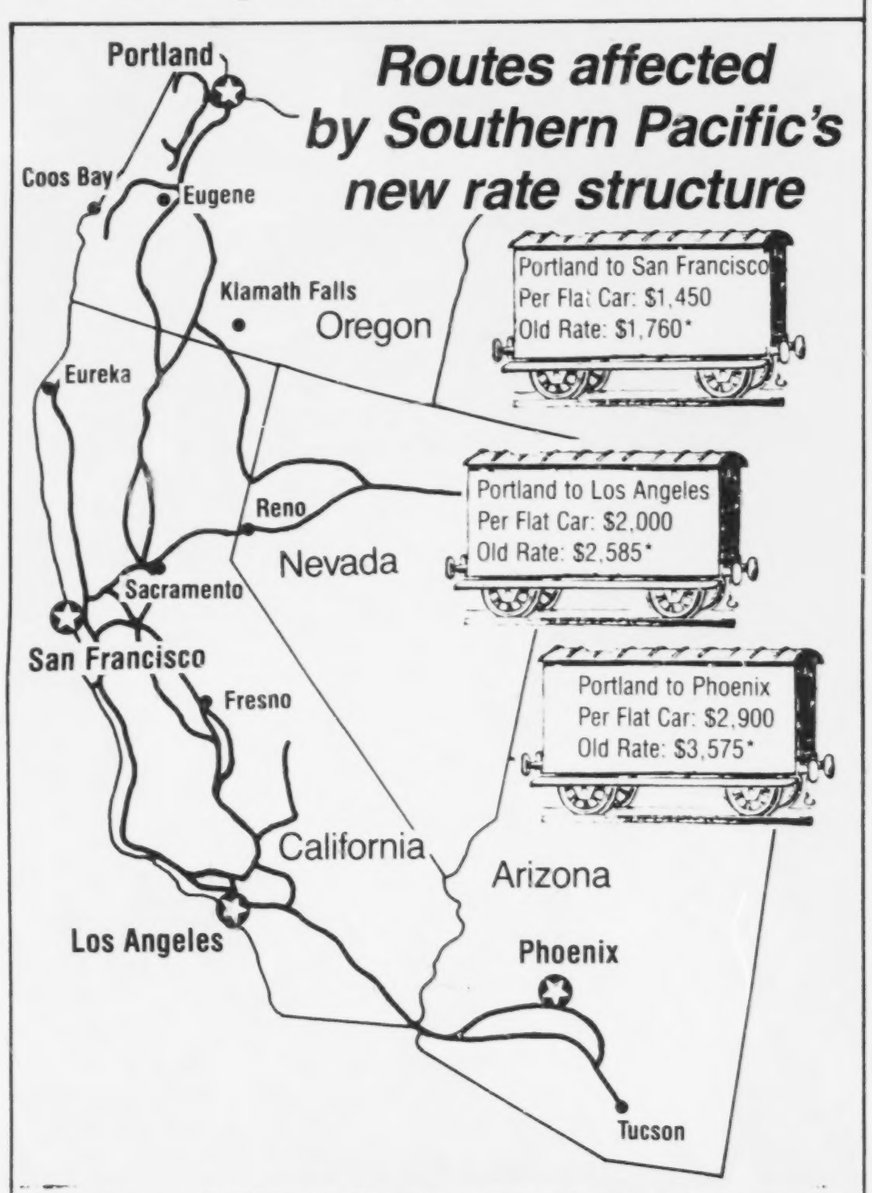

* Cost per car of 55,000 bd. ft. Douglas green fir, calculated using most recent open-end incentive rates, Phoenix rate subject to approval.

Source: Southern Pacific Transportation, NHCN map

Wickes slashes personnel at five regional offices

By Jayne D. Greenwald
NHCN associate editor

SAGINAW, Mich.—Under the new leadership of executive vice president John Drum, Wickes Lumber has just laid off some 20% of its staff, including major cutbacks of one- to two-thirds of the middle management personnel in its five area offices.

"There has been a general reduction in personnel throughout the division," stated Wickes Cos. president, David J. Primuth. "They are appropriate to the level of sales in this economy," he added, noting the cutbacks included the usual fall lay-offs.

Along with these changes, Richard L. Barker, who ran Wickes Lumber as general manager for approximately one year, has been relocated to London to become managing director of a new international business group. Drum, executive vice president and group officer, replaces Barker, heading Wickes Lumber and the Oregon-based Wickes Wood Products group.

According to inside sources, all the merchandising and marketing functions placed in the chain's five area offices two years ago have been returned to Saginaw.

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NEWSBREAKS

WICKES' SUPER HOME CENTER TEST. Builders Emporium, Wickes Lumber, Wickes Furniture and Gambles have been pulled together under one Gambles Home Center roof in Dickinson, N.D., in a one-stop shopping center test. The super store is aimed at rural markets and is the first of its kind for Wickes Cos., San Diego. It's the first time a BE unit has been moved out of California.

HOMESTEAD SUPPLY SOLD TO CANADIANS. George Robinson, formerly president of Homestead Supply, Yucca Valley, Calif., sold his 84% share in the seven-unit, $12-million-a-year chain to Scott's Supply, a newly formed subsidiary of Scott Building Supplies Ltd., which operates eight retail outlets in British Columbia. The purchase price was not disclosed.

GAF SELLS FLOORING DIVISION. Tarkett AB, a Swedish company involved in flooring and wall covering, has just bought the flooring division of GAF for $56.6 million.

Dealers sell energy items using money-saving pitch

NATIONAL REPORT—Since DIY energy-saving messages of the past aren't drawing customers like they used to, home center retailers are basing this fall's energy campaigns on a much safer bet—saving money.

"If it weren't for the money, people would not be concerned with energy conservation," stated Natalie Baker, divisional merchandise manager for nine-unit Chase-Pitkin.

The Rochester chain, in fact, just installed its first full-line energy departments.

"Fuel costs are so high now, the economy is just right for the energy department concept," Baker said, noting in-store signs and all advertisements in the category match the present chainwide theme of "everyday low prices."

At Bonanza Home Centers, San Jose, Calif., ads for the fall energy season are also sharply tuned to the dollar-saving slant. The season's kick-off promo was headlined: "Look to Bonanza to save you money, saving money."

At Canada's largest DIY chain, Beaver Lumber, Toronto, ads for the stove season are beaming in on that Government's recently passed energy rebates of up to $800, or half the total cost of approved wood or coal-burning units.

Retailer Steve Feinstein, president of Eclipse Industries, Bridgeton, Mo., however, voiced the concern of some dealers who are afraid consumers have grown apathetic to energy-saving messages of any sort.

"Because of the petroleum glut, people have forgotten about the high cost of energy. They're paying for it, but they're not thinking about it," said Feinstein.

"We're devoting a lot of our own energy to the sale of energy products, but we nave a strong feeling the consumer is not sharing that enthusiasm," he added.

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BE tops list of TV advertisers

NATIONAL REPORT—Home centers substantially increased their commitment to television advertising during the first six months of 1981, with the top 10 spenders accounting for $4,296,600, a 47% increase over the $2,927,500 spent during the same period last year.

Several firms registered dramatic increases in TV advertising spending. Fourth-ranked Moore's Building Supply, Roanoke, Va., went from $1,400 spent during the first six months of last year to $416,900 in the same period of 1981.

Pay 'N Pak, Kent, Wash., which used no television during the first six months of 1980, spent $292,000 this year, making it No. 7 in TV expenditures, ahead of Plywood Minnesota, which increased its commitment to the medium by 323%, spending $275,000 compared with $64,900 last year.

Los Angeles was the nation's hottest market for home center television advertising during the first half of 1981, with the top two spenders aiming their messages there.

The No. 1 advertiser, Builders Emporium, Irvine, Calif., boosted its spending on TV spots to $877,000, 360% more than the $190,700 allocated during the same period last year.

Ole's, Pasadena, in second place, invested $632,800 on TV commercials, slightly down from the $693,900 of the first six months in 1980.

The sixth ranking firm, National Lumber, also serves southern California. The Santa Ana-based chain spent $369,900 on its TV advertising, up 22% from a year earlier.

The figures, covering Janu-

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Top 10 TV ad spenders

Company	Market	Jan.-to-June 1980	Jan.-to-June 1981	% Change
1. Builders Emporium (Wickes)	Los Angeles San Diego	$190,700	$877,000	+ 360
2. Ole's Home Centers	Los Angeles	693,900	632,800	− 9
3. Lowe's	Multimarket	779,600	547,600	− 30
4. Moore's Building Supply	Multimarket	1,400	416,900	+ 2968
5. Channel Home Centers (Grace)	Multimarket	577,000	400,200	− 31
6. National Lumber Co.	Los Angeles	302,900	369,900	+ 22
7. Pay 'N Pak Stores	Multimarket	—	292,000	—
8. Plywood Minnesota	Multimarket	64,900	275,000	+ 323
9. Sutherland Lumber	Multimarket	149,000	254,700	+ 71
10. Menard Cashway	Multimarket	168,100	230,500	+ 37

Source: Television Bureau of Advertising

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Money-saving pitch sells energy

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Feinstein, who launched Eclipse-owned, nine-unit B & B Home Supply Center's first fall energy promotion on Aug. 15 with a truckload insulation sale reported "disappointing results." However, he hopes consumers will prove his suspicions false once the cold weather blows in.

In contrast, Sunbelt merchandise manager Jerry Hancock with Phoenix's O'Malley said, "Energy is definitely one of the bright spots in the home center industry today."

While Hancock gears up for the big energy season in the spring when the sun season starts to intensify, he reported energy sales for summer 1981 at the $80 million company comprised some 15% of the chain's total retail sales. This marked at least a 25% growth spurt over last year, he indicated.

Ceiling fans are the hottest energy-movers at O'Malley, he said. In 1980, the chain sold $600,000 worth of fans at retail, while this year fan sales hit $1.5 million. "The category is just booming," Hancock said.

Again, promotional appeal is to consumers' pocketbooks, not their energy-consciences.

"We don't talk about saving energy," he explained. "We talk about saving dollars."

In the Phoenix market, electric costs have "doubled in the past three years, and they'll double again in the next three years," Hancock projected. "We're selling devices that save homeowners every month."

Independent Somerville Lumber co-owner Harold Cohen also predicted a "very big" energy year for 1981. Here too, the stress is on dollar-savings and efficiency.

"Energy items will be pointing more credibly to the consumer than ever before because shoppers are becoming wiser and wiser," said Cohen. "R-values have to be more clearly marked and salespeople trained more to know how many dollars a customer will save with a certain product."

In mid-September the $20 million Boston market operator opened the season with a full-page ad in the *Sunday Boston Globe*. It was headed "energy-saving spectacular." While results were not as strong as anticipated because of an unseasonable 90° weekend, Cohen reported hefty early season sales of insulation, roof sheathing, pipe insulation, stoves and fireplaces.

Cohen is convinced selling energy products requires convincing DIYers they are saving dollars. "People are getting wise to gimmicks," he said. In stoves, for instance, simple decorative air-tights no longer sell.

Somerville took on three catalytic models for the fall, with considerably more depth than for noncatalytics, according to buyer Ken Dempsey, who is convinced these units' 90% efficiency rating will sell a product.

With catalytic price points ranging from $400 to $500, Dempsey reported already selling quite a few stoves early in the season. Most sales, he noted, were to consumers who already have experience with wood stoves, and who are "graduating to catalytics because they know they can get much more efficiency."

While the Canadian market is not ready for catalytics, according to merchants at Beaver Lumber, sources there project a 15% to 20% increase in the stove category in 1981 thanks chiefly to new Government incentives.

The program is called COSP, Canadian Oil Substitute Program. Consumers buying UL Canada or Canadian Standard Assn.-approved heating systems that use replaceable energy sources receive hefty Government refunds.

New strategy

The 258-unit DIY company is slugging information about the program in its ads and in-store signing. In addition, since the program includes installation costs, Beaver introduced subcontracted installation services this fall.

"We are really, really pushing installation," stated a company official, noting chimney, piping and installation comprise 40% to 60% of any stove project.

Wickes personnel cuts

(Continued from page 1)

In addition, store-level staffs, depending on market conditions and sales, have been sharply cut.

In fact, sources from the North Central area office in Indianapolis, where the chain operates 89 centers, reported mass lay-offs of approximately 325 employees in mid-September.

Struck again in 1981 by the stagnant builder business, profits for the Wickes Lumber division are down considerably.

This poor performance has added to the woes of parent Wickes Cos., which suffered a $5 million net income loss in the first half of fiscal 1982, despite a 13% increase in sales.

Wickes Lumber accounts for about 25% of the corporation's business, which experienced a $14 million year-to-year increase in interest expenses. This, coupled with the continuing housing slump, has forced the division to "put new procedures into place to further reduce administrative expenses," chairman and chief operating officer E. L. McNeeley reported.

In 1980, contractor sales were off 24% at Wickes Lumber and income was off close to 50% (*NHCN*, Dec. 15, 1980).

In addition, sales for the sprawling 280-unit national chain were down from $920 million in 1979 to $890 million. *NHCN* estimates that despite profit losses, 1981 sales will be about even with last year's.

"No one who was looking at the division's profitability was totally surprised with the lay-offs," said a recently released middle manager.

John V. Drum, Wickes Cos. executive vice president and group officer.

"We knew these were steps that would have to be taken."

One industry observer noted Wickes reorganizes its staffing structure every 12 to 18 months.

"Wickes moves people around the way the Yankees change players," he commented.

The dismantling of the five area offices has left one regional manager, an administrative manager, a credit manager and several assistants in each of the five area offices, according to a former employee.

The system, however, which was implemented about two years ago and put fully on stream for a year, included some 20 middle managers in each area.

Two-step

(Continued from page 2)

northern Indiana. He is optimistic about when dealers can expect to see added profitability as a result of the Toro return to two-step distribution.

"I think they'll see it by next spring," he said.

Toro director of sales for outdoor products, Gary Giltner noted that industrywide, "It's going to be a year when everyone is going to be getting their inventory in line."

While he did not predict dealers would be experiencing higher profits by early spring, he said, "I don't think it's going to be a number of years."

Toro's decision, which essentially restricts distribution of its power equipment to companies that will provide after-sale service, aroused the ire of Homer Taylor, vice president of Farwell, Ozmun, Kirk & Co., distributors located in South St. Paul, Minn.

Taylor complained about being able to distribute only the cordless or electric string trimmers, not the gas models, which are high-service.

"We think Toro, in all their brilliance, made an error," Taylor said.

TV ad spender list

(Continued from page 1)

ary through June 1981, were based on a survey on the nation's top 75 markets by the Television Bureau of Advertising.

The clear increase in TV advertising by home centers is part of the general boom in retail use of the medium. In 1980, for example, department, variety and discount stores spent a total of $236,000,000 on TV, according to TvB.

Moore's used substantial TV to celebrate its 25th anniversary this year. Builder's Emporium, which had switched much of its broadcasting dollars to radio last year, returned to TV.

"Our experience shows that TV has a more immediate and more lasting effect on store traffic and sales than radio for our southern California marketplace," said Bill Teachout, Emporium general manager.

Savings loophole

(Continued from page 2)

in short-term investments, rather than long-term mortgages, is the broad legal definition of what qualifies as a housing loan.

Under the law, lenders can use all savers funds to buy everything from mortgage-backed securities to short-term notes issued by Government-sanctioned housing agencies, including a new one-year certificate due out soon by the Federal National Mortgage Assn. "Fannie Mae," as the association is often called, packages Government-insured or guaranteed mortgages for resale to investors.

Lenders can also use the funds to issue loans for home construction, rehabilitation or remodeling, and for single-family and mobile home purchases, as well as for certain needs among farm operators.

However, with savings and loan institutions desperately trying to stem the outflow of savings into other types of investments—a trend the All Savers Certificates were designed to reverse—lenders are under financial pressure to get the highest return possible to preserve their assets.

Consequently, unless home buyers and builders pressure their local lending institutions to make All Savers funds available in the form of loans, it is unlikely that the public will actually get their hands on much of the $200 billion that the U.S. League of Savings Associations estimates will flow into the All Savers Certificates.

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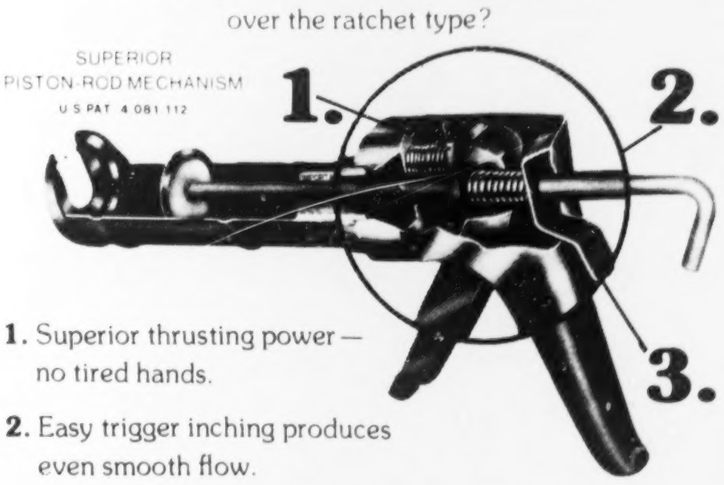

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Southern Pacific revises rates

(Continued from page 1)

rate of $1,600 per car.

Similarly, a San Francisco Bay area customer will now only pay $1,450 per flat car, ($1,-100 per boxcar) compared to a typical rate before of $1,760; a customer in Fresno will now pay $1,725 per flat car and $1,-350 per boxcar.

The biggest savings will come on shipments to Phoenix, where buyers like Sharron Gaylor, of O'Malley Lumber, will pay $2,900 per flat car, compared to a typical rate of $3,575.

"Most of my recent freight bills have been for $3,500 to $3,-800," says Gaylor. In some cases, the new rate means an average savings of nearly $1,-000 a car to O'Malley, which operates 18 retail stores, plus several wholesale outlets.

Gaylor, and other buyers, like Gary Palmer, of six-unit Lumberjack Stores, Sacramento, Calif., cautioned that overall, the savings were not substantial enough to warrant switching sources of supply to mills with access to the Southern Pacific.

"It will probably become very confusing as to what the mills will do," warned Gaylor. Mills without Southern Pacific connections may cut prices to compete, she said, while those with connections may try to increase prices to build margins, knowing they would still be able to offer a competitive delivered price.

For Palmer, the lower rates may mean shipping more of his 2x4, 2x6, 4x4 and 4x6 dimension green fir by rail than before, instead of by truck, but he emphasized, "it won't make us build inventory."

Lumber buyers throughout the region expressed excitement about the railroad's move, not only for its savings, but for its simplicity. A single per-car charge would eliminate the need for weighing rail cars, and drastically reduce the "paper chase" involved with processing freight bills.

The Southern Pacific's action, however, is clearly a signal of the desperate plight of forest products industry, resulting from the worst housing slump since World War II, and its impact on the nation's railroads.

The rate restructuring is but the latest move in a recent wave of freight rate rollbacks initiated by the Union Pacific, and the Burlington Northern, as well as the Southern Pacific railroads, to help stimulate forest product freight business. (See Lumber Report, p. 36.)

"This is my 'Saturday Night Special,'" says George Scholibo, vice president of sales for the Southern Pacific's Pacific Northwest region, and the man who developed the temporary new incentive.

Citing the "serious" survival problem facing many Oregon mills, and the existence of "several thousand" cars "in storage" as a result of low demand, Scholibo is counting on the new rate system to help the railroad as well as the forest products industry.